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# **Child Care Management Software: *The Secret Ingredient for Successful Child Care Businesses***

*Early Childhood Iowa*

*Sharon Easterling | January 5, 2022*



# Overview

- **Running a successful child care business is challenging ...without business software, near impossible**
- **Despite this, less than 30% of child care providers access these resources**
- **Iowa is changing this landscape...by equipping providers with the technology and the skills to unleash their full potential.**



# How is it Possible to Run a Successful Child Care Business?

## Pedagogical Leadership

- Child Development expertise
- Classroom coaching
- Teacher supervision
- Instructional leadership
- Child Assessments



## Business Leadership

- Full enrollment
- Fee collection
- Cost-per-child, by age
- Fundraising
- Reporting
- Regulatory compliance



## High Quality ECE

Technology makes it possible!



# Child Care Management Software (CCMS) Use is Low

- Software vendors estimate (pre-pandemic) utilization rates to be as low as 20-30%
- Many providers have purchased software, but are not fully utilizing its functionality (see example below)

State report on KidKare Data (pulled directly by the vendor)

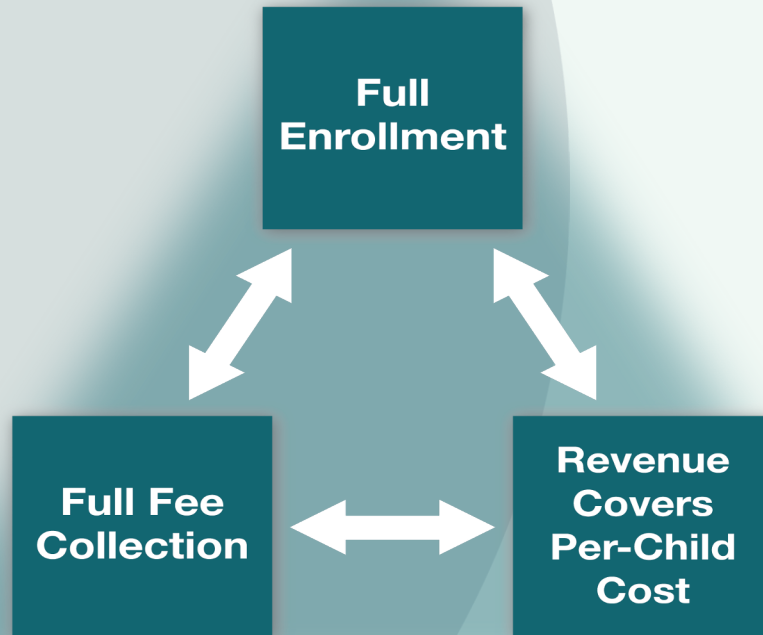
# of Providers using KidKare Accounting as of 12/31/19	68
# of KidKare users who have entered any data into the system as of 12/31/19	19
# of KidKare users entering data into the accounting section to claim expenses of IRS Form 8829 as a deduction (as analyzed by Tom Copeland)	1

**Recent survey of Iowa providers confirms these statistics**



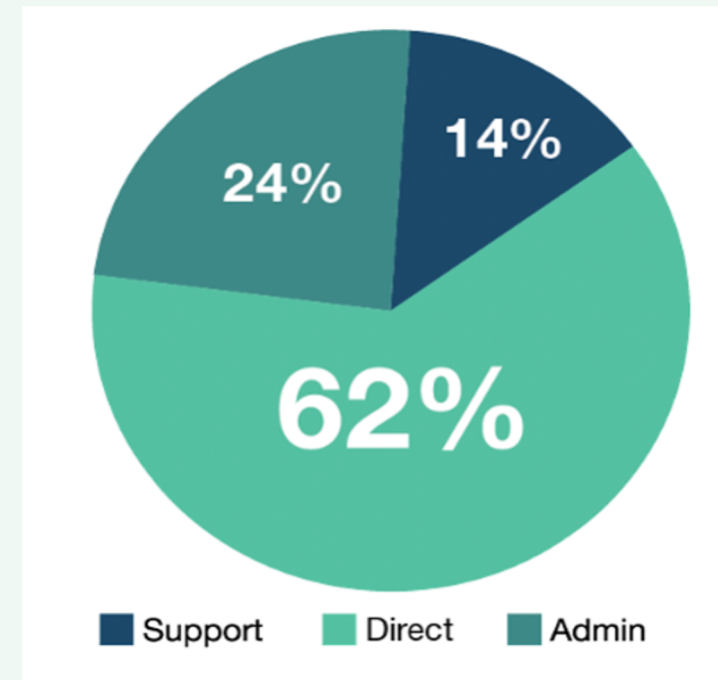
# Metrics that Matter

## Iron Triangle



## Administrative Overhead

Child Care Center Personnel Expenses



# Challenge: Billing and Collections

- Every dollar counts
- Parent billing > conflicting roles of family support and collection of parent fees
- Subsidy billing > tedious, time consuming, careful monitoring for timely and accurate payment

# Solution: Automatic billing/electronic payment

- Invoice automatically generated (no staff time, no paper/postage, no tracking)
- Parent reminders are frequent/automatic
- Increases on time/full payment
- Parents manage payment record (including tax information)

# Challenge: Full Enrollment

- Budgets are based on STAFFED capacity
- Paying for staff in a room with empty seats = losing money
- Part-time seats, lengthy enrollment process contribute to less than full enrollment

# Solution: Enrollment + Waitlist Management

- CCMS creates online presence so families find openings
- Tours scheduled via online calendar
- Enrollment process expedited with digital paperwork
- Optimize communication w/waitlist families
- Staff-child ratio monitored to “right-size” classrooms

# Challenge:

## Revenue Covers per child cost

- Per child cost varies by **age of child** (staff-child ratios)
- Most providers don't have business systems needed to collect financial data
- Must know the “gap” before identifying ways to fill it

# Solution: Timely, Accurate Financial Reporting

- CCMS tracks revenue by child, populates accounting software
- Financial reporting identifies challenges in real time
- Detailed financial data (by classroom) supports data driven decision making



# Challenge: Administrative Overhead

- Multiple, complex funding mix
- Razor-thin profit margins
- Detailed tracking required at higher levels of quality
- Low staff compensation > need every available resource for teacher wages

# Solution: Automate process – manage people

- Drastically reduce staff hours required for:
  - Time/attendance tracking for students and staff
  - HR – payroll, benefits, staff training, etc.
  - Food program management
- Re-allocate resources from admin to teacher wages/benefits



# Iowa Plan

- **Link Subsidy system to CCMS**
- **Strategic Business Coaching, linked to CCMS**
- **Create back-office services for providers with limited administrative capacity**



Automate subsidy system so providers using child care management software have “no touch billing”



Increase utilization of CCMS through bulk purchasing and onboarding



Business coaching linked to CCMS implementation to drive impact



Shared Services for providers who need a cost-effective administrative solution

# Business Leadership (data from Atlanta, GA)

## When the Project Began....

Average **bad debt** was \$52,532 per program

Many sites were not fully enrolled & most did not have procedures in place to track + boost enrollment

None of the sites were using automated systems to support best practice business management

# Results

## Eleven months later....

Avg **bad debt** was \$877 per program

Providers now have systems to flag problems and address them before debt accumulates.

Enrollment (filling vacancies) grew 34%

Overall revenue increased by 24%

Two programs more than doubled revenue + one almost tripled revenue.

# Business Leadership is Crucial in Home Based Child Care

## Enrollment & Revenue in a Small Family Child Care Home

Average Monthly Market Price Per Child	\$ 600		
Max Annual Revenue @ 6 children	\$ 43,200		
Vacancy Rate	5%	15%	25%
Actual revenue collected	\$ 41,040	\$ 36,720	\$ 32,400
Bad debt	0%	10%	15%
Total <b>Gross</b> Revenue	\$ 41,040	\$ 33,048	\$ 27,540



# OppEx Work in Iowa

The OppEx Team is helping Iowa Departments of Management and Human Services ensure that all child care providers in the state can access:

- Business training and technical assistance
- State-of-the-art Child Care Management Software
- Shared Service Alliances to offer back-office supports
- New business models, and linked business plans, to ensure sustainability
- Early stage technology ecosystems, to reduce paperwork and time spent on routine tasks

**Iowa is Focused on Re-Inventing the ECE Sector!**





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